



SGX REGCO: DEVELOPING AND EXECUTING A CREDIBLE CLIMATE TRANSITION PLAN

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On 8 September 2023, the Singapore Exchange Regulation (“**SGX RegCo**”) published a statement entitled “Regulator’s Column: Developing and executing a credible climate transition plan” which highlighted three key elements of developing, executing and disclosing a credible climate transition plan that companies should adopt.

SGX RegCo’s statement follows the release of the inaugural IFRS Sustainability Disclosure Standards (“**ISSB Standards**”) in June 2023, which set out global standards for the disclosure of information about a company’s climate transition plan. SGX RegCo plans to align its SGX-ST Listing Rules with the newly released ISSB Standards, which have been endorsed by international securities regulators. SGX RegCo aims to consult on amendments to the SGX-ST Listing Rules by the end of 2023 and finalise its recommendations by 2024.

In finalising its recommendations, SGX RegCo will also consider the feedback received by the Sustainability Reporting Advisory Committee during its public consultation to mandate climate-related disclosures for Singapore-incorporated companies.

Developing, executing and disclosing a climate transition plan

In the meantime, SGX RegCo recommends that companies get started early on their climate transition plans, which would allow for a smoother transition to reporting against the ISSB Standards. In this regard, SGX RegCo set out three elements for a credible transition plan, as summarised below.

1. Comprehensive understanding of material climate-related risks

To develop a credible climate transition plan, companies must gain a comprehensive understanding of the material climate-related risks facing their business. These risks encompass both physical (acute or chronic shifts in climate patterns) and transition risks (related to policy changes and market shifts). Assessing risks at the asset level, especially for capital-intensive industries, is vital. Engaging with stakeholders across the value chain would help refine this understanding and inform strategic responses to mitigate these risks.

2. Strong governance structures to ensure accountability for resourcing, financing, and executing the transition plan

Effective governance structures, clear lines of accountability, and oversight from the board of directors and senior management are essential for implementing a transition plan. Resources and financing should be allocated to support the plan's implementation, and there should be a commitment to long-term dedication of resources to ensure its success.

3. Monitoring of actionable, science-based near- and long-term decarbonisation targets

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Setting science-based decarbonisation targets is a key element of a strategic plan. These targets should align with the latest climate science, and be actionable and consistent with global commitments to net-zero emissions by 2050 and limiting global warming to 1.5°C by 2100. Science-based targets help refine a company's understanding of climate risks and guide actionable solutions. Monitoring progress against these targets is crucial, with a focus on tracking greenhouse gas emissions changes over time and disclosing forward-looking metrics to demonstrate short and medium-term progress to stakeholders, including capital providers.

Progressing from Singapore's current sustainability reporting regime

In Singapore, listed issuers have led the way on sustainability reporting. Currently, all listed issuers are required to publish sustainability reports on a “comply or explain” basis, while listed issuers in certain specified sectors are required to publish sustainability reports on a mandatory basis. As part of the sustainability reporting regime, listed issuers are required to make climate-related disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”).

The newly-released ISSB Standards (that are likely to be integrated into the SGX Listing Rules) build on and are aligned with the TCFD's recommendations. Principally, a key difference between the TCFD's recommendations and the ISSB Standards is that the ISSB Standards at times require additional and more granular information as compared to the TCFD's recommendations, such as the identification and evaluation of climate-related risks and opportunities, management of climate-related risks and opportunities and the metrics and targets used to measure and manage climate-related performance. These differences were noted in an IFRS Foundation document comparing the requirements in IFRS S2 Climate-related Disclosures and the TCFD recommendations. Nonetheless, as pointed out above, and as noted by the IFRS Foundation, the ISSB Standards build on the TCFD's recommendations, and issuers that have grown accustomed to applying the TCFD's recommendations can expect a smoother transition to the ISSB Standards.

Conclusion

As major jurisdictions around the world roll out their respective sustainability reporting standards, Singapore likewise has plans in place for policy and regulatory changes which would help it honour its commitment to net-zero emissions by 2050.

It is noteworthy that companies are not expected by SGX RegCo to have detailed transition plans immediately. Transition planning, like other aspects of business strategy, evolves over time. Yet, it is imperative that companies start strategising as soon as possible and strive for a sustainable future.

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For more information, interested parties may visit the following websites:

- SGX RegCo Regulator's Column: Developing and executing a credible climate transition plan: <https://www.sgxgroup.com/media-centre/20230908-regulators-column-developing-and-executing-credible-climate>
- Public Consultation on Turning Climate Ambition into Action in Singapore - Recommendations by the Sustainability Reporting Advisory Committee: <https://www.acra.gov.sg/legislation/legislative-reform/listing-of-consultation-papers/public-consultation-on-turning-climate-ambition-into-action-in-singapore--recommendations-by-the-sustainability-reporting-advisory-committee>

Should you have any queries, please do not hesitate to reach out to us and we would be glad to assist.

<https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcf-d-july2023.pdf>

<https://www.ifrs.org/news-and-events/news/2023/07/ifrs-foundation-publishes-comparison-of-ifrs-s2-with-the-tcf-d-recommendations/>

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